



Evaluating Results of Medicare's Drug Benefit

By U.S. Sen. John Cornyn

In 2004, with President Bush's backing, Congress approved major changes to Medicare, the health insurance program covering most Americans over 65. A new prescription drug benefit, known as Medicare Part D, was added.

The legislation was controversial, and still is. Some critics said the drug benefit was too expensive, an expansion of government that added to an unacceptably-large federal deficit. Others said the program was too miserly, and didn't meet all urgent needs. On the other hand, recent reports indicate that seniors are satisfied with the program and that it's working well.

We've now had nearly a full year's experience with the program. It's worthwhile to look at what has happened under Part D to date.

Medicine has changed markedly in the 40 years since President Lyndon Johnson signed legislation creating Medicare. Remarkable new drugs now play a vital role in ongoing treatment of long-term conditions, supplanting hospital care and out-patient treatment in many cases. Many of the 43 million Americans now enrolled in Medicare depend upon these pharmaceuticals.

Historically, Medicare paid for physician and hospital expenses, and some vaccines, but reimbursed no drug costs, even for retirees on fixed incomes. Part D now assists seniors with the costs of most drugs they take regularly, at a projected cost of \$880 billion over ten years.

Part D relies heavily on private sector competition, with a goal of providing consumer choice and holding down costs. To enroll, a senior chooses a plan from a private insurer and pays a monthly premium for the drug coverage.

The Medicare prescription drug benefit enables seniors to save an average of \$1,100 a year. They also obtain near-complete "catastrophic" coverage, if their drug expenses rise above \$100 per week. The lowest-income seniors, those eligible for Medicaid benefits, pay little to nothing for their drug benefits.

How has it worked? Generally, the reports are positive. More than 20 million Americans have already signed up for the drug benefit, and major polls show more than 80 percent enrolled are satisfied with the program.

There have also been welcome savings in costs – due largely to competition built into the system. Seniors in Texas have more than 50 private insurance programs to choose from. Next year, 88 percent of beneficiaries in Texas will have access to coverage with a lower premium than they are paying in 2006.

There are also options that cover generics and preferred brand name drugs through a limited coverage gap, known as the "doughnut hole," for

a monthly premium as low as \$44. But seniors who hit the gap have already saved \$1,100 that they wouldn't have received had the Part D benefit not been enacted.

While some critics suggested that seniors would be bewildered and confused by the new benefit, it now appears that is not a problem and the initial glitches are being resolved.

In fact, the average monthly premium that seniors pay is only \$24, far lower than the \$37 originally predicted—thanks to competition among plans. And that is holding steady for 2007—a rare case where medical-related expenses are not going up.

Even more impressive are the lower drug prices resulting from negotiations between insurers and drug manufacturers. Overall estimates of Part D prescription drug spending are 21.5 percent lower than last year's estimates. The projected cost to taxpayers has been reduced by \$30 billion over the next five years.

For helpful information, seniors can visit the Medicare website at www.medicare.gov to review all the plans—with or without a "doughnut hole" coverage gap—available to Texans next year. Information about 2007 plans in Texas also is available by calling the Medicare Hotline (1-800-MEDICARE) or the Texas Health Insurance Information, Counseling, and Advocacy Program (1-800-252-9240).

I am a fiscal conservative. I look skeptically at proposals for new government programs. I admit to having mixed feelings when Congress approved Part D, and I do not intend to support the inevitable calls to expand the program especially from those whose ultimate aim is a government-run health care system.

But the bottom line is this: the results so far demonstrate a familiar principle—that competition and choice can bring lower prices. And the program is working well—most seniors are happy with it, and it's bringing peace of mind, and needed assistance, to millions of senior citizens.

Sen. Cornyn is a member of the following Senate Committees: Armed Services, Judiciary, Budget, Small Business and Entrepreneurship, and Joint Economic. He is the chairman of the subcommittees on Immigration, Border Security and Citizenship and Emerging Threats and Capabilities. Cornyn served previously as Texas Attorney General, Texas Supreme Court Justice and Bexar County District Judge.

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